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STATEMENT OF
MAJOR GENERAL ARNOLD L. PUNARO, USMCR (Ret.), CHAIRMAN
HONORABLE WILLIAM L. BALL, III, COMMISSIONER
PATRICIA L. LEWIS, COMMISSIONER, AND
MAJOR GENERAL E. GORDON STUMP, ANG (Ret.), COMMISSIONER
COMMISSION ON THE NATIONAL GUARD AND RESERVES
ON THE
FINAL REPORT TO CONGRESS:

Transforming the National Guard and Reserves into a 21st-Century Operational Force

BEFORE THE
SENATE ARMED SERVICES COMMITTEE

FEBRUARY 7, 2008

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**TESTIMONY OF MAJOR GENERAL ARNOLD L. PUNARO, USMCR (Ret.) CHAIRMAN
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It is a pleasure to appear before the Committee this morning to discuss the final report of the independent Commission on the National Guard and Reserves, titled *Transforming the National Guard and Reserves into a 21st-Century Operational Force*. I would ask unanimous consent that our full statement, as well as the executive summary of our final report, be entered in its entirety into the record.

I am accompanied this morning by three fellow Commissioners, Will Ball, Patty Lewis, and Gordon Stump. Each has had an extraordinarily distinguished career and possesses unique expertise in the subject matter addressed by the Commission. On behalf of our eight other fellow Commissioners, whom we are representing, we want to thank you, Mr. Chairman, and Ranking Member Senator McCain, for the support you have given to the Commission. We would like to pay special tribute to Senator Warner, one of the principal architects of the legislation creating the Commission, who will be retiring from the Senate at the end of this session. Senator Warner is a true statesman, in the finest sense of the word. Bipartisanship and tireless advocacy for a strong national defense have been the hallmarks of his long and remarkable career in service to the nation.

As established by section 513 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, the Commission was chartered to identify and recommend changes in law and policy to ensure that the National Guard and Reserves are organized, trained, equipped, compensated, and supported to best meet the national security requirements of our nation now and in the future. You subsequently tasked us to study the “advisability and feasibility of implementing” the provisions of the proposed National Defense Enhancement and National Guard Empowerment Act. That report – with 23 recommendations – was submitted on March 1. Defense Secretary Gates acted on it quickly and decisively. He conducted a thorough review and accepted, in large measure, 20 of its 23 recommendations on reforms to the National Guard and Reserves. Implementation of those recommendations is already under way within the Department. We are especially satisfied that Congress

also acted quickly and decisively by incorporating most of the Commission's recommendations in the recently enacted National Defense Authorization Act for Fiscal Year 2008.

The 95 recommendations in our final report both address your initial charter and also engage more deeply with issues addressed in the March 1 report, specifically our concerns with respect to the sustainability of an operational reserve and the currently disjointed planning and resourcing processes to address threats in the homeland.

We have tried to identify the problems that need to be fixed and have suggested solutions. Many of these issues are extremely complex, and people of good character and conscience will disagree with some of the solutions we propose. We believe your mandate to us was to report what we found. We also recognize that further analysis by DOD and Congress may lead to alternative remedies. We encourage these improvements or alternatives to our recommendations. The Commission's focus is on fixing the problems. Fewer than half of our 95 recommendations require legislation. These are areas where DOD can undertake a change in policies and regulations right away, and Congress can enact some immediate statutory changes as well. Other recommendations, particularly in the area of personnel management, will take careful thought and analysis by DOD and Congress to determine how best they should be implemented in order to achieve the desired outcomes. They would require phased implementation over a lengthy period of time.

I cannot emphasize too strongly that our recommendations are in no way a critique of officials currently serving in Congress or the Pentagon or of their predecessors in previous administrations. Many of these problems have persisted for decades and have often seemed intractable. Others are tied to new and emerging threats. It is understandable, given the operational commitments that have by necessity been its first priority, that the Department of Defense has not been able to fully develop strategies regarding the Guard and Reserves focused many years in the future. The Department has made real progress on many issues since 9/11. For example, it has addressed the more immediate challenges associated with recruitment and retention in an increasingly difficult environment. It has ensured that mobilized Guard and Reserve units are fully trained and equipped prior to deployment. It has also made a down payment on addressing the complex personnel management issues it expects to confront the 21st century.

Funding for the reserve components is trending upward, and additional funding is in the pipeline to improve the equipment shortages particularly in the Army National Guard.

As we prepared the report, we attempted to be both thorough and all-encompassing in the collection and analysis of data. We held 17 days of public hearings with 115 witnesses; had 52 Commission meetings; conducted more than 850 interviews with public officials and other subject matter experts, including current and former Secretaries of Defense and Chairmen and Vice Chairmen of the Joint Chiefs of Staff; and examined thousands of documents. We didn't just gather "official wisdom" in Washington; we made a concerted effort to get outside the Beltway for field hearings, site visits, and focus groups and talked to service members, families, employers, and many others. I want to add, Mr. Chairman, that the 12 members of the Commission brought 288 total years of military service, 186 total years of non-military government service, and many years of private-sector experience to this task.

I. Creating a Sustainable Operational Reserve

Historically, the National Guard and Reserves have functioned as a strategic reserve force expected to be used to augment the active force only in the event of a major war, perhaps once in a generation or once in a lifetime. It was a Cold War-era model that assumed long lead times to train and prepare reserve component forces to backfill active duty troops in response to the Russians rolling through Fulda Gap or a similar occurrence. That scenario began to change with the reserve call-up for the first Gulf War, during the decade of the '90s, and the employment of reserve component forces has been dramatically different since 9/11. The force resulting from this evolution has repeatedly been referred to as the "operational reserve," and this transition to the operational reserve is highlighted in the DOD FY09 summary budget report (see pp. 108–12).

In our March 1 report, the Commission concluded that DOD had declared that we have an operational reserve without making all the changes necessary to make such a force sustainable. It was the Commission's view that continued use of the Guard and Reserves in this manner was neither feasible nor sustainable over time without major changes to law and policy. As my colleagues with me today will confirm, the Commission debated at great length the issue of whether we need an operational reserve. We were particularly concerned that the notion of an operational reserve had occurred almost by default, as a result of the need for more forces than were available in the active component. In our view, the

nation effectively backed into the operational reserve. Contrary to what some may expect, this demand for reserve forces will likely continue long after U.S. engagement in Iraq and Afghanistan diminishes, owing to the nature of the threats we will face in the future both at home and abroad. Yet, there has been no public debate within Congress or among the American people on this dramatic change. There has been no formal adoption of the operational reserve. Steps taken by DOD and Congress thus far have not focused on an overarching set of alterations necessary to sustain the reserve components as a ready, rotational force that also retains necessary strategic elements and characteristics.

The continuing challenges in recruiting, particularly for the active Army, and the escalating cost of active duty manpower have raised questions about the long-term viability of the all-volunteer force, given likely future threats. Those disturbing trends were reconfirmed in your Personnel Subcommittee hearing on recruiting last week. The all-volunteer force was designed to keep up with peacetime operations: it was understood, when the Gates Commission released its report in 1970 recommending that a military dependent on draftees be replaced with an all-volunteer force, that such a force would not be able to deal with sustained combat. With their repeated use to augment the active forces in recent years, the Guard and Reserves have effectively prolonged the viability of the all-volunteer force, and prevented the need to return to the draft.

Almost 600,000 individuals have been mobilized in support of the global war on terror. More than 40 percent of the Selected Reserve has served since 9/11. In 2006, reservists on active duty totaled 61.3 million man-days—the equivalent of almost 168,000 full-time personnel. In the absence of the 600,000 national guardsmen and reservists mobilized as an operational reserve, and those on additional duty for the homeland, the nation would not have been able to sustain operations in Iraq and Afghanistan and the force levels the commanders requested without a return to the draft. That reality – and its implications for the future – was the first reason the Commission endorsed continued reliance on an operational National Guard and Reserve force for both overseas and homeland missions.

The second compelling reason for having an operational Guard and Reserves is to address new threats in the homeland. We need to enhance DOD's role in the homeland. The threats we face here at home are radically different than those we confronted at the peak of the Cold War. A terrorist's use of a weapon of mass destruction (WMD) in a metropolitan area would cause a catastrophe to which only the

Department of Defense could respond: no other organization has the necessary capacity, capability, command and control, communications equipment, and mass casualty response personnel and equipment.

Finally, the economics of the Guard and Reserves support their continued operational use in augmenting the active forces overseas, as well as playing the lead role for DOD in addressing emerging threats in the homeland. Our analysis found that reservists are a best buy for the taxpayer. Quantitatively, by any metric, they are a cost-effective source of trained manpower, particularly as the cost of active duty manpower has grown exponentially in recent years. We consulted CBO, GAO, the DOD Comptroller, and outside think tanks. There are many studies and lots of data, but they all come to the same conclusion, varying only slightly in their details. Our analysis of all the facts led us to the conclusion that the National Guard and Reserves are about 70 percent less expensive than the active components. In the area of compensation, for example, according to the Government Accountability Office, the per capita cost for an active duty service member was more than \$126,000 in 2006. That compares to \$19,000 per reserve component member.

On the qualitative side of the equation, reservists reside in and know their local communities, local officials, local first responders. They bring unique civilian-acquired skills that are particularly critical in the event of catastrophes in the homeland – whether natural or man-made. In this area, we believe they have a distinct advantage over the active forces.

For all these reasons, the Commission found overwhelming evidence that the nation requires an operational reserve force for the foreseeable future to meet the threats both overseas and in the homeland.

Notwithstanding our conclusion on the necessity of an operational reserve for the reasons just discussed, the Commission reiterates our March 1 concerns about sustainability. As our first recommendation in the final report declares, Congress and DOD must modify existing laws, policies, and regulations related to roles and missions, funding mechanisms, personnel rules, pay categories, equipping, training, mobilization, organization structure, and reserve component categories. The remainder of the report addresses those specific issues in much greater detail; it focuses on

- Enhancing DOD's role in the homeland;
- Creating a continuum of service by instituting personnel management for an integrated total force;
- Developing a ready, capable, and available operational reserve;
- Supporting service members, families, and employers; and
- Reforming the organizations and institutions that support an operation reserve.

II. Enhancing DOD's Role in the Homeland

Today, the homeland is part of the battlefield, and the federal government must use all elements of national power to protect it. Dangers to the homeland include traditional military threats, such as conventional attacks on people and property, and more unorthodox ones, such as terrorist attacks. In addition, Hurricane Katrina and other recent devastating events have raised the public's awareness of the hazards posed by catastrophic natural disasters. As a result of these threats to the homeland and the new awareness of the danger, protecting the homeland has become a greater priority for all levels of government.

The two ways in which the Department of Defense contributes directly to homeland security are homeland defense and civil support. (DOD also contributes by neutralizing threats through military missions overseas.) Homeland defense is the military defense of the homeland, while civil support is DOD support to other agencies in the performance of their mission, which often includes homeland security. DOD views homeland defense as part of its core warfighting mission, and thus has taken on responsibility for it. DOD explicitly trains and equips its forces for homeland defense. The Joint Chiefs of Staff's document on homeland defense, Joint Publication 3-27, plainly states: "DOD is responsible for the [homeland defense] mission, and therefore leads the [homeland defense] response, with other departments and agencies in support of DOD efforts."

In contrast, the Department of Defense has viewed civil support as a "lesser included" mission and a lower priority. Although DOD has consistently stated in its policy documents, including the *National Defense Strategy*, that protecting the homeland is its most important function, the Department historically has not made civil support a priority. Rather, DOD has sought to perform civil support missions by relying primarily on "dual-capable forces." DOD's Joint Publication 3-28, "Civil Support,"

describes this policy: “[civil support] capabilities are derived from Department of Defense (DOD) warfighting capabilities that could be applied to foreign/domestic assistance or law enforcement support missions.”

In our March 1 report, the Commission criticized as a “flawed assumption” DOD’s position that preparing for and responding to emergencies and disasters is simply a subset of another capability, and recommended that “the Secretary of Homeland Security, with the assistance of the Secretary of Defense, should generate civil support requirements which the Department of Defense will be responsible for validating as appropriate” and which DOD should include in its programming and budgeting.

Should a catastrophic event occur, DOD will be expected to respond rapidly and massively. It therefore must be manned, trained, and equipped to do so. This effort should include ensuring that all forces assigned to domestic chemical, biological, radiological, nuclear, and high-yield explosive (CBRNE) consequence management are fully budgeted for, sourced, manned, trained, and equipped. Because the nation has not adequately resourced its forces designated for response to weapons of mass destruction, it does not have sufficient trained, ready forces available for that mission. In our report, we call this an appalling gap, which puts the nation and its citizens at greater risk. DHS must better define the requirement for capabilities it expects DOD to provide in responding to catastrophic incidents such as those in the 15 National Planning Scenarios. DOD must in turn include these requirements for civil support missions in its programming and budgeting process, and improve its capabilities and readiness to play a primary role in the response to such major catastrophes. This responsibility should be equal in priority to its combat responsibilities, and the National Guard and Reserves are key elements of this effort.

Following the publication of our March 1 report, the Secretary of Defense agreed that the Defense Department must begin to program and budget for civil support. This was a very favorable development. We know that the Secretary of Defense holds this to be a very high priority and has the Department working hard to fulfill this goal.

Congress mandated in section 1815 of the recently enacted National Defense Authorization Act for Fiscal Year 2008 (“Determination of Department of Defense Civil Support Requirements”) that “the

Secretary of Defense, in consultation with the Secretary of Homeland Security, shall determine the military-unique capabilities needed to be provided by the Department of Defense to support civil authorities in an incident of national significance or a catastrophic incident.” Congress in the same section also mandated that the Secretary of Defense develop and implement a plan to fund civil support capabilities in the Department of Defense, and delineate the elements of the plan in DOD’s budget materials. Passage of this legislation was a significant step toward addressing the concerns raised by the Commission.

Consistent with our conclusions and recommendations in March, the Commission recommends in our final report that the Department of Defense should be formally charged by Congress – in statute – with the responsibility to provide support to civil authorities. The Commission believes that only such a statutory mandate will ensure that DOD, now and in the future, shifts its priorities and commits sufficient resources to planning, training, and exercising for such missions. This statutory mandate should have three elements. It should make clear that DOD has the responsibility to carry out civil support missions when called upon to do so; it should state that responding to natural or man-made disasters in the homeland is a core competency of DOD that is equal in priority to its combat responsibilities; and it should make clear that in the event of a major catastrophe incapacitating civilian government over a wide geographic area, DOD can be expected to provide the bulk of the response.

The Commission further recommends that while homeland defense and civil support should remain total force responsibilities, “Congress should mandate that the National Guard and Reserves have the lead role in and form the backbone of DOD operations in the homeland. Furthermore, DOD should assign the National Guard and Reserves homeland defense and civil support as a core competency consistent with their required warfighting taskings and capabilities.”

As the Commission states repeatedly in our final report, in increasing the priority of the civil support mission, both within the Department as a whole and for the National Guard and Reserves in particular, “the Department should not compromise the reserve components’ ability to perform their warfighting responsibilities” (p. 96). In other words, the Commission does not suggest that the National Guard or any other reserve component be converted into a domestic disaster response force, nor do we believe this would be the effect if our recommendations were implemented. Rather, we argue that DOD should

use dual-capable forces as much as possible and undertake rebalancing, as appropriate – given the requirements for civil support discussed above – among the active and reserve components “to ensure that those capabilities useful for civil support reside, where practicable, in the reserve components, and are readily accessible for civil support-related missions” (p. 96). The Commission was not in a position to determine what, if any, shifting of capabilities among components would in fact be appropriate, inasmuch as no civil support requirements have yet been generated by DHS. Since they have not yet been generated by DHS, DOD has not yet validated them. The overseas warfighting capabilities of the National Guard and Reserves will absolutely be required now and for the future, and the Commission’s recommendations in no way call that reality into question.

Echoing our findings from the March 1 report, the Commission continues to find wanting the planning efforts of U.S. Northern Command. U.S. Northern Command still does not adequately consider and plan for the utilization of all military components, active and reserve (including the National Guard serving under the command of state governors), in its planning, training, and exercising for support to civil authorities. Northern Command must incorporate personnel who have greater knowledge of National Guard and Reserve capabilities, strengths, and constraints and must assemble a cadre of experts on the intricacies of state and local governments, law enforcement, and emergency response. The Commission therefore reiterates the recommendation, originally made in March, that a majority of U.S. Northern Command’s billets, including those for its service component commands, should be filled by leaders with reserve qualifications and credentials. We also believe that the reserve qualifications and credentials must be substantive – mere exposure to the reserve components would be insufficient.

Similarly, the Commission reiterates our recommendation that as part of its efforts to develop plans for consequence management and support to civil authorities, **DOD should develop protocols to allow governors to direct the efforts of federal military assets responding to an emergency such as a natural disaster.** This direction may be accomplished through the governor’s use of a dual-hatted military commander. We want to be clear what this recommendation does not entail. It does not in any way violate the President’s constitutional authority as the commander in chief over federal forces contained in Article II of the Constitution, nor does it imply that all 50 state governors would be routinely allowed access to federal forces, and to suggest it does either of those things would be pure sophistry. Rather, relying on protocols arranged in advance of a disaster, it would allow the President for

some defined period of time to “chop” a portion of his or her command authority over federal forces – the portion for operational control – to a state’s governor who is in charge of the disaster response. The federal forces could be part of a joint federal-state military task force commanded by an officer dual-hatted under Title 10 and Title 32. The Commission believes that this is a more effective method to achieve unity of effort in the vast majority of disaster responses – efforts led by the governor of a state – than the approach taken in Hurricane Katrina, when Title 10 and National Guard forces responding in the Gulf Coast were under separate control. The Commission also believes that DOD has not offered a viable alternative to this recommendation.

Finally, the Commission recommends that Congress amend the mobilization statutes to provide service Secretaries the authority to involuntarily mobilize federal reserve components for up to 60 days in a four-month period and up to 120 days in a two-year period during or in response to imminent natural or man-made disasters. Under this proposal, access would be allowed to the federal reserve components for all-hazards response prior to or after a disaster similar to the access now available to the Secretary of Homeland Security with regard to the U.S. Coast Guard. No such statutory authority exists today.

III. Creating a Continuum of Service: Personnel Management for an Integrated Total Force

DOD’s personnel management strategies and the laws, policies, and systems that support them were designed during the last century. They addressed the problems faced by the armed forces after World War II, and they responded to Cold War national security and force structure issues and to the demographics of the day. The 21st century presents a completely different set of challenges for manpower planners. The services must recruit, train, and maintain a technologically advanced force at a time of ever-increasing competition for a shrinking pool of qualified individuals.

At the outset, the Commission reviewed reports on private-sector trends to assess the environment in which the services must compete today and in the foreseeable future to recruit and retain high-quality young men and women. In addition to acknowledging the current challenges posed by the continuing conflicts in Iraq and Afghanistan, it is also important to recognize changing workforce demographics and generational expectations. The career paths and career expectations of today’s young people – often called the “millennial” generation – are very different from those of their parents and grandparents. Department of Labor projections indicate that technological advances and continually escalating

competition will lead individuals to change jobs more frequently. That trend is already clear today. According to DOL data, in January 2006, the median job tenure for workers ages 55 to 64 was 9.3 years; for those ages 25 to 34, it was 2.9 years.

We also reviewed a number of military personnel management studies conducted by DOD, beginning with the Gates Commission in 1970, which laid out the framework for a post-conscription all-volunteer force. Some themes reoccur repeatedly, and several highlights of these DOD reviews are worth noting:

- The Gates Commission recommended increases in military pay and establishment of a salary system, increases in compensation for special skill sets, a vested retirement system, and use of lateral entry to capitalize on civilian-acquired skills.
- The Defense Science Board Task Force on Human Resource Strategy in 2000 recommended instituting a single, integrated personnel and logistics system for the active and reserve components, restructuring the pay system to emphasize pay for performance and skills, modifying the “up or out” promotion system for selected skilled personnel, and reforming the retirement system to include earlier vesting, a 401(k)-type option, and portable benefits.
- The Defense Advisory Committee on Military Compensation (DACMC) in April 2006 recommended that the military compensation system focus on increasing the effectiveness and efficiency of the system as a force management tool. Criticizing the military compensation system’s heavy reliance on deferred benefits, DACMC instead advocated more up-front compensation, including pay for performance. DACMC also recommended changes to the retirement system, including earlier vesting of a deferred retirement annuity, government contributions to a vested Thrift Savings Plan, significant retention bonuses at critical retention “gates,” and a transition payment for those leaving military service after the vesting point.

On the basis of our research, the Commission came to the inescapable conclusion that sustaining an operational reserve force in the 21st century will require very different ways of doing business. We can no longer rely on personnel management laws, policies, and systems that are a relic of the Cold War era. DOD’s personnel management strategies must instead foster a continuum of service as part of an integrated total force. The phrase “continuum of service” appears frequently in testimony and documents, but with little explicit description of what actually constitutes such a continuum. As generally understood, a continuum of service would facilitate the seamless transition of individual

reservists on and off of active duty to meet mission requirements and would permit different levels of participation by service members over the course of a military career. **We believe that integrated total force management is the next phase of reforms required to achieve the enhanced military effectiveness envisioned by Congress in enacting the Goldwater-Nichols Department of Defense Reorganization Act of 1986.**

In this report, the Commission makes specific, concrete recommendations for the changes to law and policy necessary to bring about a true continuum of service. Two critical enablers of an enhanced continuum of service are a reduction in the number of duty status categories and the implementation of an integrated pay and personnel system. Equally important, however, is an integrated personnel management system that, when fully mature at some point in the future, would include an integrated promotion system, integrated compensation system, and integrated retirement system.

Critical Enablers

Moving from reserve status to active duty and back is often a nightmare for the reserve component member and his or her family because the pay and personnel system is not integrated. The lack of an integrated pay and personnel system caused numerous problems in the first Gulf War. And, with the exception of the Marine Corps, which currently has an integrated system, the problem persists today. Reservists can find that their pay is inaccurate or their family members have been dropped out of DEERS (the Defense Eligibility Enrollment System) and so are ineligible for medical care. DOD has experienced delays, cost increases, and management problems in its more-than-a-decade-long effort to field DIMHRS, the Defense Integrated Manpower Human Resources System, which is now receiving senior leadership attention within the Office of the Secretary of Defense. We cannot recommend too strongly that DOD implement an integrated pay and personnel system as expeditiously as possible. The Commission took no position on the internal debate within DOD as to whether that new structure should be a single DOD-wide system or multiple systems operating as part of a larger enterprise architecture.

Equally important is the need for duty status reform. The current plethora of 29 or 32 duty statuses, depending on which report you read, is confusing and frustrating to both reserve component members and their operational commanders. Service members often encounter pay and benefit problems, including the maintenance of health care eligibility for their family members, when they transition

between one or more duty status categories – being called to active duty for service in Iraq and then returning back to a drilling reserve status, for example. Commanders may experience similar frustration when seeking to access, in a timely manner, reserve component members needed to meet operational requirements. The current operational use of the reserve component demands simplicity, compatibility, and administrative clarity to meet training and mission requirements and to promote a continuum of service.

Under the simplified duty status system recommended by the Commission, there should be only two duty statuses: reserve component members would either be on active duty or off active duty. And this would be the case whether they were in a Title 10 or Title 32 status.

One sticking point in previous attempts to simplify duty status categories has been the difference between the pay and allowances received when the reserve component member is either activated or in an active duty training status and the pay received for two drills per day when the member is in an inactive duty training status, a pay structure dating to 1920. As noted in DOD’s 2004 congressionally mandated *Reserve Personnel Compensation Program Review*, “Transitioning to a system in which – like active duty members – a day of duty is a day of duty would make it much easier to employ Guard and Reserve members. It would also help to reduce the frustration experienced by combatant commanders when they want to employ reserve component members.” The 2004 reserve compensation review included analysis of a variable “participation pay” designed to prevent reserve component members from losing out-of-pocket income under a system in which training is always treated as a day of active duty. That analysis also emphasized that changing to a new active duty status system should not cause the individual reservist to suffer a reduction in either the level of compensation received or retirement credit earned. The Commission fully concurs, as clearly stated in our report, that compensation for current service members should not be reduced. **Just to underscore that point, nothing in the Commission’s final report can or should be read as suggesting that reservist drill pay should be cut. Rather, as the report makes clear, we suggest alternative methods to simplify duty statuses while preserving reservists’ compensation in this area. In addition, we recommend a number of benefit enhancements, including to medical and family benefits, and increased reimbursement for travel and other expenses.**

A Competency-Based Promotion System

The centerpiece of the Commission's vision of integrated total force management is a revised promotion system that recognizes knowledge, skills, and abilities acquired over the course of a career as the primary criteria for promotion and that provides greater flexibility for participation at different levels of commitment across a military career.

DOD's current "up or out" promotion system was codified in 1947 to prevent a superannuated senior officer cohort from hindering military effectiveness, a problem observed at the outbreak of World War II. The Defense Officer Personnel Management Act of 1980 (DOPMA) and its follow-on reserve component counterpart, the Reserve Officer Personnel Management Act of 1994 (ROPMA), updated the 1947 legislation but retained the up-or-out structure. In recent years, it has been criticized by numerous studies and experts as inflexible and as a Cold War-era relic. The up-or-out system under DOPMA is time-based: officers are considered by selection boards for promotion at certain "time" or years-of-service points during their careers. If twice non-selected for the next highest grade, or failed of selection, the officer is subject to involuntary separation or retirement – forced to move "up or out." Such officers may be permitted by a selective continuation board to remain to meet service requirements, but they nonetheless bear the stigma of the label "failed of selection." To remain competitive, officers must punch specific tickets at specific points in their careers. This time-based career management system prevents service members from pursuing alternative career paths and penalizes their attempts to do so. Up or out instead pushes service members out of the force when they are most experienced.

A competency-based career management system, organized around the mastery of knowledge, skills, and abilities, would encourage more flexible career paths, thereby permitting longer assignments, greater opportunity for graduate education, time-outs for family responsibilities, the lateral entry of skilled professionals, and longer overall careers. Such changes better reflect the new career patterns in the private sector previously discussed and offer a framework to foster a true continuum of service. Under current law and policy, promotion boards rank officers on the basis of experience, demonstrated performance, and potential for success in the next grade. A competency-based system would rely on those same criteria but would use accumulated experience gained through assignments, education, and training to determine which officers are eligible for promotion. Such a system would allow officers to undertake additional or longer assignments or further their education without being at a disadvantage in

relation to their peers. For some communities, the required skills, timing of promotions, and career length might change little from today's norms. For the combat arms, for example, a service might decide that the current framework is optimal because of the need for youth and vigor. Similarly, the services might make little change in the promotion timing for officers scheduled for a command/leadership track.

To prevent stagnation, competency would need to be demonstrated for officers to continue in service as well as to be promoted – in other words, “perform or out” in lieu of up or out. Their continuation would be determined by their continued employability by commands or agencies seeking their services. Transitioning to a competency-based system would also facilitate the development of a single personnel management system, which is essential to the effective management of an integrated 21st-century total force.

Joint Duty and Joint Education

In our March 1 report, the Commission considered the need to ensure that reserve component officers have the opportunity to gain both joint experience and joint professional military education in order to be competitive for promotion to senior positions, including to combatant commands and senior joint and service positions. Such opportunity is a critical element of integrated total force management. In our March 1 report, we indicated that we would address this issue in greater detail in our final report and have done so. The 1986 Goldwater-Nichols Act mandated a program of joint qualification through education and experience for active component officers seeking to be promoted to general and flag officer ranks. Although DOD was directed to establish a parallel system for the reserves, in the subsequent 20 years progress has been very slow. In the meantime, after our extended commitment in Iraq and Afghanistan, many national guardsmen and reservists have acquired extensive joint duty experience in theater. Congress recognized the changed nature of joint duty in the Goldwater-Nichols Act amendments enacted in 2006.

To foster greater joint opportunity, we recommend

- That Congress amend Goldwater-Nichols to require reserve component officers to also be “joint qualified” and, at the end of a 10-year transition, to make such joint qualification a criterion for promotion to general and flag officer, as is the case for their active duty counterparts.

- That DOD improve opportunities for reserve component officers to complete joint professional military education and recommend modifications to the system to make it more focused on the total force.
- That Congress and DOD establish a career management system for reserve component officers similar to the one currently in place for active component officers to ensure that they have the opportunities to complete required education and joint duty.
- That DOD ensure that assignment options afford reserve component officers more opportunity to fill joint billets.

These changes will not only enhance the career opportunities of reserve component officers but, more importantly, will ensure that the nation is able to utilize their knowledge, skills, and abilities at the most senior levels of DOD leadership.

An Integrated Retirement System

Today there are two separate retirement systems: one for active duty and another for reserve component members. As part of our vision of an integrated total force, the Commission recommends transitioning to a single retirement system. Numerous studies, beginning with the Gates Commission in 1970, have highlighted problems in the current military retirement structure. The Commission based our recommendations on achieving desired **force management objectives** – and also recognized the different career patterns of today’s young men and women. As a part of a single retirement system for both active and reserve components,

- We recommend modifications that will foster more flexible career paths – including earlier vesting, government contributions to the Thrift Savings Plan, and significant retention bonuses at critical career decision points.
- We also realize that any changes to retirement will happen incrementally over a period of time in the course of implementing other changes recommended by the Commission to achieve a more integrated total force.

We further recommend that no change in the retirement system be required of members of the current force, that current service members be given the option of converting to the new system, and that there be a transition period for new entrants to give Congress time to review and evaluate what we believe will be the positive impact of the changes. We recognize that some of what we recommend is

complicated and challenging, but believe that earlier vesting, government contributions to the Thrift Savings Plan, and other financial incentives are very much in line with the expectations of the young men and women the services want to recruit and retain in the years ahead.

IV. Developing a Ready, Capable, and Available Operational Reserve

Readiness is a key determinant in the ability of the reserve components to achieve their roles and missions both at home and abroad. Congress tasked the Commission to assess how effectively the organization and funding structures of the National Guard and Reserve are achieving operational and personnel readiness. An operational reserve requires a higher standard of readiness, for a greater duration, with less time to restore readiness levels between deployments. The Cold War-era model relied on a lengthy period of time – post-mobilization – to address training shortfalls, update equipment, and fix such problems as individual medical readiness. That framework is out of sync with the periodic and sustained rotational use of the National Guard and Reserves envisioned in the current manpower planning models, such as the Army's Force Generation Model.

ARFORGEN is instead designed to rely on a "train, mobilize, deploy" model that will require increasing levels of readiness for several years prior to deployment. Sustained operational use of the reserve component will make it necessary to devise a very different way of doing business.

The readiness of units and of individuals varies greatly among the services, and the differences relate largely to funding. In our March 1 report, we said that 88 percent of Army National Guard combat forces here in the United States were not ready. On the basis of information we received from Department of Defense officials shortly before publication of our final report, we believe that this assessment of National Guard readiness remains accurate. In fact, the situation is a little worse. There are a number of improvements in the pipeline that should improve National Guard readiness in future years. But as Army Chief of Staff General Casey has testified in recent months, Army readiness is being consumed as fast as we can build it.

We recognize that most of the problems in this area are not new; they have arisen because Cold War policies and laws remain in effect while the reserve components are being used in ways never envisioned when those policies were developed. Policies that allowed cascaded equipping and tiered readiness for the Army reserve components resulted in those forces being largely "not ready" before 9/11. That the wars in Iraq and Afghanistan have exacerbated readiness problems should come as no surprise. As mentioned earlier, with the exception of those reserve forces deployed or just getting ready to deploy, readiness of the Army Guard units at

home in their states is extremely low. Their unreadiness leaves us at greater risk should the nation suffer a catastrophic WMD attack on our homeland or a natural disaster inflicting greater damage than did Hurricane Katrina. We recommend in our report that National Guard and Reserve units employed operationally overseas and those required to be ready to respond domestically to a catastrophe be maintained at higher readiness levels than were routinely maintained in the past.

To remedy the problems in this area we first recommend that the Department expand and improve on its readiness reporting system in ways that both provide operational planners more details and also answer the question “ready for what?” Today, in the readiness reporting system managed by the Chairman of the Joint Chiefs of Staff, the standards by which all units are measured are determined by their wartime missions. They are not assessed for their capability to respond to crises here at home. The system we envision should be common across all services and components, contain data from the individual through the major unit level, and report on readiness for a full spectrum of missions, including support to civil authorities. The Defense Readiness Reporting System currently being put into operation by the Department may be a start on the road to such a comprehensive system, but progress on its implementation has been slow.

We also recommend that DOD conduct zero-based reviews of the reserve components’ equipment and levels of full-time support personnel. Adequate levels of equipment are critical for realistic training, particularly as a unit moves into its force generation model deployment cycle. Equally critical are the full-time support personnel who both maintain that equipment and ensure that reserve component units are trained to the standards the active component expects from an operational reserve force. We are familiar with current service plans to fund these areas, but we are skeptical that existing requirements, based on Cold War tables of organization and equipping, are accurate. The requirements for reserve forces employed operationally overseas and prepared to respond to catastrophes here at home will surely differ from those developed for a once-in-a-generation conflict against the Soviet Union. Most of the expense of funding the necessary equipment and personnel is already budgeted in service plans. The Army G-8, Lieutenant General Speakes, told us that current Army plans include full funding to equip Guard and Reserve units and meet full-time support requirements. We are recommending that these plans be modified in accordance with the zero-based reviews, and that funding for these requirements be accelerated.

Individual medical readiness, particularly dental readiness, was a serious issue during mobilization for the first Gulf War. It has remained a significant problem for some reserve components during mobilizations for Iraq and Afghanistan. New force generation models will provide much less time post-mobilization for needed fixes. As in the case of training, any remedial work will have to be completed pre-mobilization. In the Commission's view, ensuring individual medical readiness for an operational reserve force is a corporate responsibility of the Department of Defense, as well as of the individual service member. We recommend a number of changes to ensure that service Secretaries have the authority to provide the medical and dental screening and care necessary to make certain that service members meet the applicable medical and dental standards for deployment.

V. Supporting Members, Families, and Employers

As we studied these complex areas, we tried to never lose focus on our most valuable resource – our people. During roundtable discussions, focus groups, and public hearings, the Commission was repeatedly reminded of the central role played by both family members and employers as reserve component members make the crucial decision about whether to remain in the National Guard and Reserves. We made a concerted effort to get firsthand input from both groups, and many of our recommendations flow directly from that input.

Families

Unlike their active duty counterparts, many National Guard and Reserve families live at considerable distance from military bases and the services they provide. In addition, many National Guard and Reserve families are not familiar with the intricacies of the component parts of the military system – such as TRICARE, the military health care system, for example – and the learning curve can be fairly steep for these “suddenly military” families.

We recommend that sources of information be improved, that those programs currently available be better publicized, and that funding and staffing for family support programs be increased.

Employers

The Commission recognizes the sacrifices that many employers, particularly small employers, have made in supporting their National Guard and Reserve employees when they are called up for duty. In the

Commission's view, it is time for a new and improved "compact with employers" that recognizes the vital role that employers play.

The Commission recommends an enhanced role and additional resources for the National Committee for Employer Support of the Guard and Reserve, proposes that employers be given better access to senior leadership in the Department of Defense through an Employer Council, and recommends that they be provided an access point offering one-stop shopping for specifics on government laws and programs affecting them so that they don't find themselves in the position of one small business witness who told us that she had to turn to Google to find the information she needed. In addition, as discussed below, the Commission also views enhanced health care benefits for reserve component members and their families as a part of the new compact with employers.

Health Care

During focus groups and hearings, participants expressed considerable frustration with the problems they encounter in using TRICARE, the military health care benefit. TRICARE itself offers excellent coverage, but the program can be difficult to understand for the first-time "suddenly military" user. In addition, in some locations family members can find it very difficult to find physicians and other health care providers willing to accept TRICARE because its levels of reimbursement seem too low or administrative requirements appear excessive. The Commission makes the following recommendations in this area:

- Congress should direct DOD to fix a number of long-standing TRICARE concerns that are particularly problematic for reserve component families. DOD's actions should include (1) issuing updated, user-friendly information in easy-to-understand language for those who don't "speak TRICARE," as well as establishing an ombudsman office with a single toll-free number, and (2) simplifying TRICARE claims and reimbursement processes.
- Reserve component members should be offered the option to participate in the Federal Employees Health Benefits Program (FEHBP), the health insurance program for federal employees, which does not seem to be beset by the problems that have plagued TRICARE for years.
- A stipend should be given as reimbursement for the cost of keeping the reservist's family in the employer's health insurance plan during a period of activation. Such a stipend could be provided

in several ways. First, it could be made available directly to the service member as a nontaxable allowance, with the service member certifying (with substantiating documentation) that the allowance had been used for specific health care costs. Second, DOD could establish a mechanism to reimburse employers directly. Or third, Congress could enact a tax credit, in lieu of the current business tax deduction, for employer costs in providing continuing health care coverage when reservists are activated. The amount of the stipend would be an actuarially determined cost of the TRICARE benefit.

With the establishment of TRICARE Reserve Select, DOD has already begun to share a portion of the health care costs of participating reserve component members and their families. The cost of health care is becoming a growing burden for many employers, particularly small employers who may find private health insurance for their employees increasingly unaffordable. The two additional options that the Commission recommends – allowing reserve component members and their families to participate in the FEHBP and offering a stipend to help offset the costs of continuing employer-sponsored health insurance during activation – would represent a major component of an enhanced compact with employers and should encourage employers to hire reservists.

VI. Reforming the Organizations and Institutions That Support an Operational Reserve

In the final chapter of our report, the Commission recommends organizational reforms that we believe are necessary in order to implement an integrated total force. Perhaps the most critical is a restructuring of reserve component categories to reflect 21st-century operational use. The current categories – the Ready Reserve, Standby Reserve, and Retired Reserve – were created by the Armed Forces Reserve Act of 1952 and designed to provide a strategic force for a major war. The chart titled “Current Reserve Component Categories” depicts this confusing system. This structure was built around a scenario that allowed time for training before deployment, an assumption that allowed the force to be maintained at reduced levels of readiness. These antiquated reserve component categories are not tied to mobilization statutes, nor do they reflect National Guard and Reserve units’ readiness for mobilization, their use on a predictable rotational basis, or their priority for resourcing. They do not support a continuum of service – the smooth and efficient movement of personnel along a spectrum from full-time duty to minimal active duty obligation, based on the needs of the services and individual willingness to accept training time and activations. The chart titled “A Continuum Service Structure for the Active and Reserve

Components” depicts key features of a continuum of service model on which DOD has done a considerable amount of excellent work. Finally, the Commission recommends a complete restructuring to better align the categories of reserve service with projected operational use. The two major new categories, as depicted in the chart titled “Proposed Reserve Component Categories,” would be

- The Operational Reserve Force, which would consist of present-day Selected Reserve units and individual mobilization augmentees who would periodically serve active duty tours in rotation, supporting the total force both overseas and in the homeland.
- The Strategic Reserve Force, which would have two subdivisions:
 - The Strategic Ready Reserve Force, which would consist of current Selected Reserve units and individuals who are not scheduled for rotational tours of active duty as well as the most ready, operationally current, and willing members of today’s Individual Ready Reserve (IRR) and retired service members (both regular and reserve). Unlike today’s IRR, the Strategic Ready Reserve would be managed to be readily accessible in a national emergency, or incentivized to volunteer for service with the operational reserve or active component when required.
 - The Strategic Standby Reserve, which would consist of those current individual Ready Reservists and retired service members (regular and reserve) who are unlikely to be called on except in the most dire circumstances yet who still constitute a valuable pool of pretrained manpower worth tracking and managing.

The Commission also recommends a reorganization of the Office of the Secretary of Defense that would structure the management of reserve component issues along functional lines as part of the total force and would eliminate the office of the Assistant Secretary of Defense for Reserve Affairs.

Conclusion

Commissioners are honored to have been selected to undertake the most comprehensive, independent review of National Guard and Reserve forces in the past 60 years. Many of today’s profound challenges to the National Guard and Reserves will persist, notwithstanding force reductions in Iraq and Afghanistan. The need for major reforms is urgent regardless of the outcome of current conflicts. The Commission believes that the nation must look past the immediate challenges and focus on the long-term future of the National Guard and Reserves and their role in protecting the United States’ vital

national security interests at home and abroad. We have labored to identify and categorize the challenges that must be addressed, and have proffered a series of recommendations to address those challenges. We understand that responsibility for implementation now falls into the hands of Congress and the executive branch. We are confident that you will build on and improve upon our efforts.

COMMISSIONER BIOGRAPHIES

Arnold L. Punaro, Chairman

Chairman Punaro is a retired Marine Corps major general who served as Commanding General of the 4th Marine Division (1997–2000) and Director of Reserve Affairs at Headquarters Marine Corps during the post-9/11 peak reserve mobilization periods. Following active duty service in Vietnam, he was mobilized three times: for Operation Desert Shield in the first Gulf War in 1990, to command Joint Task Force Provide Promise (Fwd) in Bosnia and Macedonia in 1993, and for Operation Iraqi Freedom in 2003. He worked on Capitol Hill for 24 years for Senator Sam Nunn and served as his staff director of the Senate Armed Services Committee for 14 years. In 1997, he chaired the Defense Reform Task Force for then Secretary of Defense William Cohen; in 2007, he was a member of the independent commission assessing the Iraqi security forces; he is a member of Secretary of Defense Robert Gates's Defense Business Board. He serves on the board of directors of the National Defense Industrial Association and the Atlantic Council. He is currently Executive Vice President of Science Applications International Corporation.

William L. Ball, III

Commissioner Ball was Secretary of the Navy during the Reagan administration. He currently chairs the Board of Trustees of the Asia Foundation, an international NGO operating in 18 Asian countries. His service on active duty in the Navy in the early 1970s was followed by 10 years on the U.S. Senate staff for Senators Herman Talmadge and John Tower. In 1985 he became Assistant Secretary of State for Legislative Affairs, and then served on the White House staff for two years as Assistant to the President for Legislative Affairs. He presently is managing director of the Loeffler Group, a government affairs practice in Washington, DC, and Texas.

Les Brownlee

Commissioner Brownlee was confirmed as the Under Secretary of the Army in November 2001 and served concurrently as the Acting Secretary of the Army from May 2003 to November 2004. He was appointed first by Senator Strom Thurmond in March 1996 and later by Senator John Warner in January 1999 to serve as the staff director of the Senate Armed Services Committee. He is a retired U.S. Army colonel and served two combat tours in Vietnam. He is currently President of Les Brownlee & Associates LLC.

Rhett Dawson

Commissioner Dawson is President and CEO of the Information Technology Industry Council. His private-sector experience includes the private practice of law and tenure as senior vice president, law and public policy, of a Fortune 500 company. During the Reagan administration, he was Assistant to the President for Operations, and earlier in his career he served as staff director of the Senate Armed Services Committee. He served on active duty as an ROTC-commissioned Army officer for three years.

Larry K. Eckles

Commissioner Eckles retired as the Assistant Division Commander of the 35th Infantry Division, headquartered at Fort Leavenworth, Kansas, after 37 years of service. He retired with more than 31 years of full-time civil service employment with the Nebraska Army National Guard and has served in numerous positions at state headquarters, including chief of staff of the Nebraska Army National Guard, director of personnel, and battalion commander.

Patricia L. Lewis

Commissioner Lewis served more than 28 years with the federal government, including service with the Senate Armed Services Committee for Chairmen John Warner, Sam Nunn, and Scoop Jackson. Ms. Lewis began her federal career in 1975 with the Department of the Navy and has held positions in Naval Sea Systems Command, the Office of the Navy Comptroller, and the Office of the Secretary of Defense. She is currently a partner with Monfort-Lewis, LLC.

Dan McKinnon

Commissioner McKinnon was founder, Chairman, and CEO of North American Airlines, a worldwide charter and scheduled large jet airline. He undertook special projects for the Director of Central Intelligence and also served as Chairman of the Civil Aeronautics Board, during which time he oversaw the implementation of airline deregulation. He has owned country music radio stations in San Diego. Early in his career, he spent four years as an aviator in the United States Navy, where he set, and holds, the U.S. Navy helicopter peacetime air/sea record of 62 saves.

Wade Rowley

Commissioner Rowley is currently Senior Vice President for Business Development for Otay Group, Inc., and was formerly a military border infrastructure construction consultant for U.S. Customs and Border Protection. He served 9 years of enlisted and more than 14 years of commissioned service with the Army National Guard. His last military assignment was with the California Army National Guard, where he served for 10 years on active duty for special work as an engineer project officer, company commander, and facilities support commander for the California National Guard Counterdrug Task Force. He was responsible for support in the development, project management, and installation of all aspects of border infrastructure in support of the U.S. Border Patrol.

James E. Sherrard III

Commissioner Sherrard served as Chief of Air Force Reserve, Headquarters USAF, Washington, DC, and Commander, Air Force Reserve Command, Robins AFB, Georgia, from 1998 to 2004. He is a retired lieutenant general with more than 38 years of commissioned service in the United States Air Force. As Chief of Air Force Reserve and Commander, Air Force Reserve Command, he was responsible for organizing, training, and equipping more than 79,000 military and civil service personnel required to support operations and combat readiness training for 36 flying wings, 14 detached groups, 13 Air Force Reserve installations, three Numbered Air Forces, and the Air Reserve Personnel Center (ARPC). As Chief of Air Force Reserve, he directed and oversaw the mobilization of Air Force Reserve personnel in support of military operations in Kosovo, Afghanistan, and Iraq. During his career, General Sherrard commanded an airlift group, two Air Force Reserve installations, two wings, and two Numbered Air Forces.

Donald L. Stockton

Commissioner Stockton owns and for more than 34 years has operated the Marshfield Drayage Company, a regional trucking company in southwest Missouri. He retired as a lieutenant colonel from the U.S. Air Force Reserves, where he served nearly 30 years. For almost 25 years he commanded various flights and squadrons, was deputy commander for resources, and subsequently was deputy commander for support of the 943rd Airlift Wing at March Air Force Base in California. His last command was with the 934th Maintenance Squadron, a subordinate unit of the 934th Airlift Wing, Air Force Reserve, in Minneapolis, where he was responsible for the unit's eight C-130E aircraft and for the training of some 175 reservists. For the Reserve Officers Association of the United States (ROA), he is a past national Air Force vice president, a past Missouri Department president, and currently Chairman of the Department National Council Members.

E. Gordon Stump

Commissioner Stump retired in January 2003 from his position of Adjutant General and the Director of Military and Veterans Affairs in Michigan after serving for 12 years. He commanded and directed a total of 157 Army and Air National Guard units, two veterans nursing homes, and 12 veterans service organizations. His prior assignments included Squadron Commander 107th TFS and Commander and Deputy Commander of the Headquarters Michigan Air National Guard. He flew 241 combat missions over North and South Vietnam. He also deployed to South Korea during the *Pueblo* crisis. He served as President of the National Guard Association of the United States and as a member of the Reserve Forces Policy Board. Prior to his assignment as Adjutant General, he was Vice President of Automotive Engineering for Uniroyal Goodrich Tire Co. He is currently President of Strategic Defense Associates, LLC.

J. Stanton Thompson

Commissioner Thompson is currently a County Executive Director for the U.S. Department of Agriculture's Farm Service Agency. He is a retired Navy rear admiral with more than 35 years of military service. He is the former Special Assistant for Reserve Matters to the Commander, U.S. Northern Command and North American Aerospace Defense Command. He also served as a principal advisor to the commander for maritime homeland defense. Rear Admiral Thompson was one of a handful of flag and general officers chosen to stand up NORTHCOM following the events of 9/11. Recalled to active duty during Operation Desert Shield/Desert Storm, he served as the Port Security Harbor Defense Commander of the Saudi Arabian port of Al Jubail and was responsible for the maritime defense of this strategic port.